

Message Text

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43

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 L-02 /054 W

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R 292102Z JAN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 7472

UNCLAS CARACAS 1135

E.O. 11652: N/A

TAGS: EFIN, VE

SUBJECT: MONETARY POLICY--POSSIBLE MEASURES TO HANDLE HIGH
LIQUIDITY

1. THERE HAS BEEN CONSIDERABLE CONCERN IN THE BANKING COMMUNITY ABOUT THE RECENT INCREASE IN THE MONEY SUPPLY. THE LEVEL OF LIQUIDITY REACHED BS 25.8 BILLION IN NOVEMBER AND IT IS REPORTED ANOTHER SIGNIFICANT INCREASE HAS TAKEN PLACE SINCE THAT TIME. DR. ALFREDO LAFEE, PRESIDENT OF THE CENTRAL BANK, HAS BEEN IN CONSULTATION WITH DR. CARMELO LAURIA, FORMER MINISTER OF DEVELOPMENT AND NEWLY-ELECTED PRESIDENT OF THE (COMMERCIAL)BANKING COUNCIL, CONCERNING MEASURES TO DEAL WITH THE HIGH LEVEL OF LIQUIDITY.

2. WHILE NO FIRM DECISIONS HAVE BEEN TAKEN, SOURCES IN THE BANKING COMMUNITY REPORT THAT AMONG THE MEASURES BEING CONSIDERED ARE AN INCREASE IN THE RESERVE REQUIREMENT FOR THE COMMERCIAL BANKS; MEANS TO CHANNEL PLACEMENTS BY THE BANKS INTO CERTAIN AREAS, AND: FINALLY, ELIMINATION OF THE DISCRIMINATORY TREATMENT AGAINST FOREIGN CORPORATIONS REGARDING INTEREST REQUIREMENTS. LAST YEAR WHEN INTERNATIONAL INTEREST RATES HAD RISEN CONSIDERABLY, THE FOREIGN CORPORATIONS WERE REQUIRED TO PAY 14 PERCENT FOR LOANS OBTAINED IN VENEZUELA AFTER JUNE 30 1974. IN VIEW OF THE CURRENT TENDENCY FOR A LOWERING OF INTERNATIONAL
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INTEREST RATES AND HIGH LIQUIDITY, CONSIDERATION IS NOW BEING

GIVEN TO ELIMINATING THIS TYPE OF DISCRIMINATION
AGAINST THE FOREIGN CORPORATIONS.
MILLS

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NNN

Message Attributes

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Disposition Date: 01 JAN 1960
Disposition Event:
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